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**Contact: Carlota Gutierrez
916/653-2995**

**CALIFORNIA'S STATE TREASURER AND ATTORNEY GENERAL JOIN IN
ACTION TO STOP ILLEGAL BOND DEAL**

Sacramento, CA -- State Treasurer Philip Angelides and Attorney General Bill Lockyer today are taking joint legal action to stop a questionable \$15,000,000 bond sale.

"As Treasurer, I am committed to protecting the integrity of California's public finance markets," said Angelides. "We cannot allow abuses of the law that shake the confidence of investors and undermine the ability of California communities to finance critical local school and transportation projects."

Attorney General Bill Lockyer said, "Abuse of the state's bond financing laws is illegal and economically dangerous. The sophisticated scam artists who attempt to circumvent the law are in our sights and I look forward to helping Treasurer Angelides protect investors and the state's economic health."

Today's action targets the attempt by the cities of Waterford and San Joaquin to issue bonds through a joint powers authority for the construction of a golf course in San Bernardino County—over 300 miles away.

A 1998 law requires that there be a geographic nexus between the agencies issuing bonds and the project being financed. To circumvent that law, the golf course developer formed a mutual water company (a private entity) which then entered into a joint powers agreement with Waterford and San Joaquin.

Assemblyman Dean Florez (D-Shafter), will join the Treasurer and Attorney General to announce that he is sponsoring legislation that amends the 1998 law.

"It's time someone stood up to these disreputable firms," Florez said. "We have to stop their practice of going from small town to small town, promising that these types of ill-conceived financing schemes are the answer to all their problems. The economic viability of our Valley towns is being threatened."

Today, the Treasurer and Attorney General are filing what is called an “answer” to a validation action filed by the Rancho Lucerne Valley Public Financing Authority. Filing of the answer will result in a trial to determine if the bond sale can go forward.

The trial will take place in the Superior Court of San Bernardino County.

This legal action comes in the wake of a series of troubling local bond practices that threaten the otherwise sound California market. These practices have included improper disclosure, inappropriate sales practices, and legally questionable bond sales. Investigations of these actions have been undertaken by the Securities and Exchange Commission, the Department of Corporations, the State Auditor, and local law enforcement agencies.

During last year’s campaign, Angelides pledged to take steps to curb such abuses as part of his **California Futures** program, including filing suits to stop illegal bond sales before they occur. He is now working with the Attorney General to develop a series of recommendations to better protect California’s bond markets and to provide stronger enforcement of bond laws.

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